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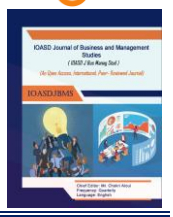

A Strategic Perspective towards Economic Development and Foreign Remittance of India

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ABSTRACT

For an extended period, India has been the primary beneficiary of remittances. The remittance provides a significant and reliable source of foreign exchange reserves and external financing. Though remittances are crucial to the economic progress of developing and the underdeveloped nation, they are principally crucial for the developing and the under developing nations. In accumulation to reduce the disparity between capital supply and demand, it also enhances the purchasing power of migrant households. In light of these facts, the current research has made a collaborative attempt to elucidate Trends and Prospects of Foreign Remittances in India. Also, it suggests various means for the further utilisation of the remittances towards the socio-economic contribution to the nation at large. Right from the simple tabular representation of data to the regression statistics have been computed. This paper is purely based on secondary data.

Keywords: Development, Foreign remittance, Standard of living, and Welfare.

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INTRODUCTION

Foreign remittance is vital for any country. Remittances are sent home by workers who are employed abroad to support their families. Workers in other countries are generally two types- skilled and semi-skilled or unskilled (Todaro, 1969). Skilled workers in multiple disciplines, are earning higher salaries and able to send more remittance to their family members. There are many challenges, like language barriers, living standards, security of the works, etc. for these migrant workers (Parida and Madheswaran, 2011). Banks along with other economic institutions are playing a crucial role in remittance sending. Bank commission and availability of branches are affecting the remittance (Banerjee, 1984).

The migrant workers' home countries receive billions of dollars from them annually. This fund is useful to the families for purchasing foods, clothes, and maintaining other expenditures. Remittances are essential to the economic growth of many nations (Kleinwechter, 2010). In many countries remittance fund is considered as a sizable portion of gross domestic product. Foreign direct investments and remittances are crucial to the growth of many developing nations. Many foreign workers who live in illegal ways are unable to repatriate their earnings in accordance with the law. Many labourers are employed legally; however, it might be difficult for government officials to stop people sending money using dubious means (like hundi) in 2007 by Stark and Fan.

Remittances increase the family income and increase the purchasing clout of the family. It increases their spending on education, health and other areas. It will raise the pattern of living of the family (Dubey et. al., 2004). It increases the savings and investment competence of the families. It increases the national income of the economy due to the increase in the consumption pattern of the societies (Manjhi, 2018). Remittance is also helpful for increasing the foreign exchange deposits of the country. It is more useful for a country when it faces natural and economic calamities (Stark, and Lucas, 1988).

OBJECTIVES OF THE STUDY

The study was done through the following objectives, which are listed below:

1. To study the current status and prospects of foreign remittances in India.
2. To find out the changes in trends along with patterns of regional remittance over a period of time.

HYPOTHESIS

With the goals outlined, various hypotheses have been developed to ensure that the study is conducted as intended.

H₀: There is no significant relationship between the remittance inflow and the Gross Domestic Product of India.

H₁: There is a significant relationship between the remittance inflow and the Gross Domestic Product of India.

RESEARCH METHODOLOGY

(a) Study area description: India is a developing country in South Asia. The total area of India is 3,287,263 km^2. Density of the population of the country is 421.3/km^2. The Gross Domestic Product (normal) of India is $3.737 trillion and the per capita income is $2,601. Nearly 79.8 percent people are like the Hindus, followed by the Islam with a population of (14.2%), Christianity (3.2%), Sikhism (1.7%), Buddhism (0.7%), Jainism (0.4%), etc.

(b) Design and approach: The secondary data have served as a foundation for this investigation. The information has been accumulated from quite a lot of reports published by the World Bank, Reserve Bank of India, etc. The current study has also cited a number of books and periodicals. Correlation analysis has been done by the researchers to verify the hypothesis.

(c) Data Sources: The current research is based on secondary data. The period of study is 15 financial years i.e., from 2005-06 to 2021-22. The data have been collected from different websites. The details of the websites are provided at the end of each table.

(d) Method of analysis: To reveal the remittances to India in general and the economic perspectives in particular, different methods of quantitative along with qualitative testing comprising of correlation test, and text analysis were performed.

RESULTS AND DISCUSSIONS

Remittances from overseas benefit the economy. It increases the income of the dependent families and their standard of living. It increases their assets as well as the social grade of the families. On the other hand, there are a number of disadvantages of such remittances. It affects the family consumption patterns like unnecessary expenditure, purchasing of luxury items and bad investments. Concerningly, remittances are frequently utilised for immoral and unlawful purposes. Remittances are considered as the life-line of the economy of developing countries. It increases the dependence of the economy on outside flows and the governments falter to focus on creating their own resources of income for the sustenance of their economy.

India is the first country to have an annual remittance from abroad which crosses the $100-billion mark. As per the reports, the low and middle-income nations received remittances of around $630 billion in 2022. Qatar, Saudi Arabia, Australia, and the United States are the main sources of foreign remittances for India. Opening up of the global economy after Covid-19 pandemic and the increasing prices of crude oil helped the migrated workers to gulf countries for sending more remittances. The United States contributed nearly 24 per cent of the remittance to India, followed by the United Arab Emirates (18 per cent). The United Kingdom is in the third positive with a worth of 6.8 per cent, and Singapore is the fourth position. Saudi Arabia has contributed nearly 5.1 per cent of the total remittances to India, followed by Kuwait, Oman and Qatar. Large number of Indians working in the six-member Gulf Co-operation Council bloc are sending money for the growth of Asia's third-largest economy.

Table 1: Countries Inflows of Remittance During 2022(in million)

Country	(USD)	Rank	Country	(USD)	Rank
India	$100,000	1	Mexico	$60,300	2
China	$51,000	3	Philippines	$38,000	4
Egypt, Arab Rep.	$32,337	5	Pakistan	$29,000	6
France	$28,520	7	Bangladesh	$21,000	8
Nigeria	$20,945	9	Vietnam	$19,000	10
Ukraine	$18,421	11	Guatemala	$18,112	12
Germany	$18,000	13	Belgium	$13,500	14
Uzbekistan	$13,500	15	Morocco	$11,401	16
Romania	$11,064	17	Dominican Republic	$9,920	18
Indonesia	$9,700	19	Thailand	$9,500	20

Source: https://www.visualcapitalist.com/cp/remittance-flows-gdp-impact-by-country/

The remittance contributions by country have been covered in table 1. It has been prepared to facilitate the receipt of overseas remittances which shows India is in the lead. It is followed by Mexico, China, the Philippines, etc. Three south Asian countries (India, Pakistan, and Bangladesh) have secured their position in top ten foreign remittance receipt countries. This has become possible because of the migration of high skilled workers to high income countries.

The foreign remittance to Mexico has reached $5.7 billion by May, 2023. This country receives the highest amount of remittance from the United States. Remittances constitutes a large portion of the GDP of the Latin American countries. Indonesia is the most popular country in the South-East Asia and supplying the large number of migrant workers. It receives the highest amount of remittances from China, followed by Thailand and Japan. Egypt is top recipients of remittances among the middle-east countries. It receives the highest remittances from Saudi Arabia, followed by Kuwait, and United Arab Emirates. The foremost remittance of France is from Belgium, Spain, Switzerland, United States, and the United Kingdom. Poland is the central resource of foreign remittance to Ukraine due to its outsized number of migrant workers. Russia, Germany, Ukraine, Tajikistan, and Azerbaijan are the top five source of remittance for Uzbekistan. Philippines received majority of its remittances from the United States, Canada, Saudi Arabia, Australia, and the United Arab Emirates. Pakistan receives majority of its remittances from the Gulf countries. Pakistan receives the highest sum of remittances from Saudi Arabia, followed by the United Arab Emirates. Bangladesh receives the highest remittance from Saudi Arabia. Spain, France, and Italy are the three major contributors of remittances to Morocco. With above observation and analysis, it has been establish to facilitate, India receives significantly high foreign remittances compared to SAARC and other Countries.

Table 2: Contribution of Remittance on GDP of the countries (2022)

Country	Percent of GDP	Country	Percent of GDP
Tonga	49.9	Lebanon	37.8
Samoa	33.7	Tajikistan	32.0
Kyrgyz Republic	31.2	Gambia	28.3
Honduras	27.1	South Sudan	24.8
El Salvador	23.8	Haiti	22.4
Nepal	21.7	Jamaica	21.2
Lesotho	21.0	Somalia	20.6
Comoros	20.1	Nicaragua	19.9
Guatemala	19.8	Armenia	18.9
West Bank and Gaza	18.5	Cabo Verde	18.2

Source: https://www.visualcapitalist.com/cp/remittance-flows-gdp-impact-by-country/

The above table 2 depicts the contribution of remittances on the Gross Domestic Product (GDP) of countries. It has been exposed that the economy of lower- and middle-income countries are more dependent on foreign remittances. Foreign remittance contributes nearly half of the Gross Domestic Products of the Pacific Island countries. Pacific countries, Tonga, and Samoa are more dependent on foreign remittances. In South Asia, remittance contributes nearly 21.7% to the Gross Domestic Products of Nepal. These contribute more to the Gross Domestic Products of African countries like Gambia, South Sudan, Lesotho, Somalia, Comoros etc.

Table 3: Remittances Received by South Asian Countries, 2022

Countries	Remittance	% of GDP	Countries	Remittance	% of GDP
India	$100,000M	2.8%	Pakistan	$29,000M	7.7%
Bangladesh	$21,000M	4.5%	Nepal	$8,500M	21.7%
Sri Lanka	$3,600M	4.8%	Afghanistan	$350M	2.0%
Bhutan	$55M	2.0%	Maldives	$5M	0.08%

Source: https://www.visualcapitalist.com/cp/remittance-flows-gdp-impact-by-country/

The table 3 illustrates the remittances received by South Asian countries. It has been discovered that the highest remittance was received by India, followed by Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan, Bhutan, and Maldives. The Gross Domestic Product of Nepal is more dependent on foreign remittances, followed by Pakistan, Sri Lanka, Bangladesh, India, Afghanistan, Bhutan, and Maldives.

Workers' remittances are the key sources of foreign currency in Sri Lanka. As per the reports of Central bank of Sri Lanka, the workers' remittances was US$ 325.4 million in August 2022, and increased to US$ 499.2 million in August 2023. The nation has more than 0.5 million workers in Saudi Arabia, but the remittances made through the informal channels (also known as hundi) is a matter of concern. The Hundi system is becoming more popular due to its fast delivery, absence

of any transaction charges, and opportunity to maintain confidentiality.

Table 4: Summing up Regression Statistics Output

Multiple R	0.922367059
R Square	0.850760992
Adjusted R Square	0.839281068
Standard Error	293.6980434
Observations	15

Source: Calculation by Author

Table 5: ANOVA Summary

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1	6392499.064	6392499.064	74.10859277	9.93115E-07
Residual	13	1121361.029	86258.54068		
Total	14	7513860.093			

Source: Calculation by Author

As per null hypothesis, there isn't any meaningful connection between the remittance inflow and the Gross Domestic Product of India and the above table discusses it.

The higher R Square value 0.85 indicates that there is exists a correlation between remittances and the Gross Domestic Product of India. The high F-test value also indicated towards the positive relation between the remittances and the gross domestic product of India. So, the null hypothesis is rejected. Moreover, the alternate hypothesis which favours the inference that, there is a significant relationship between the remittance and the inflow the Gross Domestic Product of India. Hence, the alternative hypothesis is accepted. Thus, the hypothesis has been tested accordingly.

Table 6: Country-wise Share in Inward Remittances in India, 2020-21

Source Country	**Share in Total Remittances (%)**	**Source Country**	**Share in Total Remittances (%)**
United States	23.4	United Arab Emirates	18.0
United Kingdom	6.8	Singapore	5.7
Saudi Arabia	5.1	Kuwait	2.4
Oman	1.6	Qatar	1.5
Hong Kong	1.1	Australia	0.7
Malaysia	0.7	Canada	0.6
Germany	0.6	Others	31.7

Source: RBI Remittance Survey, 2021 as published in the RBI Bulletin article on remittances, "Headwinds of COVID-19 and India's Inward Remittances", July 2022.

The above table discusses the country-wise share in inward remittances to India. It brings to light that the highest remittance (23.4%) to India came from the United States. The United Arab Emirates and the United Kingdom contributed 18% and 6.8% respectively. Singapore, Saudi Arabia, Kuwait, Oman, Qatar, Hong Kong, Australia, Malaysia, Canada, and Germany are the countries which contribute remittances fabulously to India.

Table 7: State-wise Share in Inward Remittances in India

State	**Share in Total Remittances (%)**	**State**	**Share in Total Remittances (%)**
Kerala	19.0	Maharashtra	16.7
Karnataka	15.0	Tamil Nadu	8.0
Delhi	5.9	Andhra	4.0
Uttar Pradesh	3.1	West Bengal	2.7
Gujarat	2.1	Punjab	1.7
Bihar	1.3	Rajasthan	1.2
Goa	0.8	Haryana	0.8
Madhya Pradesh	0.4	Orissa	0.4
Jharkhand	0.3	Puducherry	0.2

State	Share in Total Remittances (%)	State	Share in Total Remittances (%)
Uttarakhand	0.2	Chandigarh	0.2
J. and K.	0.2	Assam	0.1
Himachal Pradesh	0.1	Chhattisgarh	0.1
Others	15.5	Total	100.0

Source: https://www.rbi.org.in; Note: "Others" also includes those remittances for which banks could not identify the specific destination and, therefore, covered such transactions under "Others".

The above table discusses the state-wise share in inward remittances to India. It has been observed that the highest remittance is received by Kerala which is nearly 19 percent. The share of Maharashtra, Karnataka, and Tamil Nadu in national remittances is 16.7%, 15%, and 8% respectively. The share of other states, like Delhi, Andhra Pradesh, Uttar Pradesh, West Bengal, and Gujarat is at 5.9 per cent, 4.0 per cent, 3.1 per cent, 2.7 per cent, and 2.1 per cent respectively. Accordingly, the World Bank's Migration and Development report of 2022, India is the only country that receives the most international remittances. It is anticipated that it will cross the $100 billion in the nearest future.

From the above data and analysis it has been establish migrant workers contribute to the GDP and in the post pandemic period the foreign remittances to India has shown an upward trend. As the migrant Workers contribute to the Gross Domestic Product of India and the Post Covid Pandemic period and the Foreign Remittances to India has shown an upward trend.

Table 8: Remittance by fiscal year in India

Year	GDP (USD Bill.)	Remittance (USD Bill.)	Percent of GDP
2005-2006	834.2	24.55	2.94
2006–2007	949.1	29.10	3.06
2007–2008	1238.1	37.20	3.00
2008–2009	1224.1	51.60	3.84
2009–2010	1365.4	55.06	3.28
2011–2012	1823.1	66.10	3.61
2012–2013	1827.1	67.60	3.64
2013–2014	1856.1	70.39	3.45
2015–2016	2103.6	62.70	2.73
2016–2017	2294.8	65.30	2.46
2017–2018	2702.9	69.00	2.95
2018–2019	2702.9	76.00	2.78
2019–2020	2735.6	83.30	3.12
2020–2021	2671.6	80.00	2.75
2021-2022	3150.4	89.00	3.00

Source: https://www.rbi.org.in

The above table discusses the remittances of India by fiscal years. It has been found that the Gross Domestic Product and the remittances are in rise since 2005-06. Though it slightly dropped due to the pandemic. The share of remittance on Gross Domestic Product is nearly three percentages during 2021-2022.

During the course of study and observation, it was imperatively found that the countries which were awfully much conducive for the migrant workers and also skilled labour force to work through have a favourable contact on the remittances.

THE WAY FORWARD

Based on the World Bank Report on Migration along with Development, Digitalisation in India, especially through the UPI payments, it has facilitated higher remittance flows to India. "Mobile phones and digitalisation have revolutionised India's fintech ecosystem, which has positive spill overs for Indian migrants and how they remit funds to India" ."The government's initiatives, such as the Unified Payments Interface (UPI-PayNow) linkage for cross-border remittances between India and Singapore, launched in February 2023, is being extended to other countries to reduce transaction costs and facilitate higher remittance flows." According to the World Bank data, the growth, seen in South Asia, is "attributable entirely" to remittance flows to India. India's remittances are expected to touch $135 billion in 2024, the report said, mainly because of the unemployment rates "edging up" marginally in the US and the UK. The key drivers of remittance growth this year includes a historically tight labour market in the US, the high employment growth in Europe, and a dampening of inflation in high-income countries. Further, India has set up savings programmes to draw foreign currency deposits from their non-resident citizens, the report said. These usually come with

incentives such as being repatriable, yielding higher interest rates and tax exemptions. As of September 2023, non-resident Indian deposits in India amounted to $143 billion, an increase of over $10 billion year-on-year. Thus, there is a bright prospect for the foreign remittance with a Policy Based supportive Ecosystem.

CONCLUSION

For a significant amount of time, India has been the world's top beneficiary of the remittances. Each year, the migrant labourers pay billions of dollars back to their home nations. Remittances are essential to a country's economic growth. The primary countries from which India receives its foreign remittances are the US, Australia, Saudi Arabia, and Qatar. Following the corona pandemic, the opening up of the global market enabled migrant workers from Gulf countries to send greater remittances to home. The most significant source of consistent external funding and foreign exchange reserves are the remittances. It never leaves the domestic territory once it is there and can be used as a steady source of funding. In India, remittances are quite significant. It makes it easier to consume products and services and offers another way to create capital. Therefore, in order to maximise the benefits of both emigration and the inflow of remittances, the government should facilitate the emigration of Indian labour market by advertising job openings worldwide, especially, in the rural areas; provide common platforms for employers and potential employees to negotiate on; increase infrastructure for facilitating the remittance process through formal channels; and educate emigrants and their households on how to use remittances more wisely. Remittances are essentially private funds and need to be handled similarly to other forms of family income. Rather than focusing on remittances, efforts to boost savings and enhance the distribution of expenses should be made by improving the general investment climate. Remittances seem likely to remain a steady source of income in India for the foreseeable future. These details, when combined with the study's conclusions, imply that remittance flows to India would be resistant to shifts in the host country's economic climate and would even increase in the case of rapid domestic growth. This would go a long way to find and fit India among the Wealthy Nations of the World. India is likely to emerge as the largest recipient of foreign remittances again, totalling $125 billion in 2023, according to a new World Bank report. On 18.12.2023, Monday, the World Bank released its latest “Migration and Development Brief” which lists the top five recipients as India, Mexico, China, the Philippines and Egypt. Remittances can play a role in improving a country’s ability to repay debt and may even serve as collateral to lower the costs of international borrowing for national banks in developing countries.

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